

United States Senate

WASHINGTON, DC 20510

April 7, 2025

Satya Nadella
Chief Executive Officer
Microsoft Headquarters
1 Microsoft Way
Redmond, WA 98052

Sam Altman
Chief Executive Officer
OpenAI
3180 18th Street, Suite 100
San Francisco, California 94110

Dear Mr. Nadella and Mr. Altman:

We write to request additional information about the terms of the partnership between Microsoft and OpenAI to understand whether and how they violate our antitrust laws. The Federal Trade Commission (FTC) reportedly issued new investigative requests regarding Microsoft’s artificial intelligence (AI) operations, including the terms of its relationship with OpenAI.¹ We are concerned that corporate partnerships within the AI sector discourage competition, circumvent our antitrust laws, and result in fewer choices and higher prices for businesses and consumers using AI tools.

The recent boom in generative AI technology has produced new partnerships between major cloud service providers (CSPs), such as Google, Microsoft, Amazon, and AI developers.² These partnerships can involve minority stakes and significant investment that influence the competitive conduct of the partner corporations. The FTC warned in a January 2025 report that such partnerships might pose “risks to competition and consumers, such as ‘. . . locking in the market dominance of large incumbent technology firms.’”³ As noted in the FTC and Department of Justice (DOJ)’s merger guidelines, even partial acquisitions may present “significant competitive concerns” because of the effects on firms’ incentives and strategy.⁴ These arrangements sometimes function as de facto mergers – allowing companies to consolidate talent, information, and resources – all while bypassing the scrutiny typically applied to mergers and acquisitions.

Partnerships may give CSPs privileged access to AI developers’ talent, computing capacity, intellectual property, or business information, making it harder for new CSPs or AI developers to

¹ Bloomberg, “Trump’s FTC Moves Ahead With Broad Microsoft Antitrust Probe,” Leah Nylen, Josh Sisco, and Dina Bass, March 12, 2025, <https://www.bloomberg.com/news/articles/2025-03-12/trump-s-ftc-moves-ahead-with-broad-microsoft-antitrust-probe>.

² Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 7, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

³ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 37, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

⁴ U.S. Department of Justice, “2023 Merger Guidelines,” <https://www.justice.gov/atr/merger-guidelines>; Memorandum from Omeed Assefi, Acting Assistant Attorney General, Antitrust Division to Antitrust Division Staff, February 18, 2025, <https://www.justice.gov/atr/media/1389861/dl?inline>.

enter the market. Some partnership structures involve “acqui-hiring,” that is, the CSP hiring the top AI talent away from the AI developer, obtaining exclusive licensing of the developer’s technology, and “effectively swallowing the start-up and its main assets — without becoming the owner of the firm.”⁵ According to the FTC, these agreements “may permit CSP and AI developer partners to embed engineers in one another’s companies, allowing for information transfer about technology and intellectual property”⁶ that allows “Big Tech [to] consolidat[e] AI talent.”⁷

A CSP may also have a high level of control over, and stake in, the AI developer’s business decisions. Some CSPs hold non-voting shares in AI developers or maintain revenue-sharing agreements that allow the CSP to benefit from increases in the AI developer’s value.⁸ CSPs may also have access to privileged information like AI developers’ customer counts or financials, providing a “multi-year crystal ball into the future needs of AI infrastructure.”⁹ The FTC reported that at least one partnership “gave the CSP partner advance notice of important decisions.”¹⁰ In the most egregious case, individuals have held concurrent board positions with both the CSP and the AI developer, in a blatant violation of U.S. antitrust law.¹¹

For their part, AI developers have already committed to paying billions to their CSP partners for access to computing resources.¹² Privileged access arrangements are “an important way for

⁵ New York Times, “The New A.I. Deal: Buy Everything but the Company,” Erin Griffith and Cade Metz, August 8, 2024, <https://www.nytimes.com/2024/08/08/technology/ai-start-ups-google-microsoft-amazon.html>.

⁶ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 23, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

⁷ Letter from Senators Wyden, Warren, and Welch to Federal Trade Commission Chair Lina Khan and Assistant Attorney General Jonathan Kanter, July 11, 2024, https://www.wyden.senate.gov/imo/media/doc/letter_to_ftc__doj_on_ai_competition.pdf; Accel, “AI eating software,” Philippe Botteri, Tim Rawlinson, and Rafael Quintanilla, October 16, 2024, <https://www.accel.com/noteworthy/euroscape-2024-ai-eating-software#all>.

⁸ Time, “How Anthropic Designed Itself to Avoid OpenAI’s Mistakes,” Billy Perrigo, May 30, 2024, <https://time.com/6983420/anthropic-structure-openai-incentives/>; Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 17, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

⁹ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 25, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

¹⁰ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 18, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

¹¹ Bloomberg Law, “US Backs Musk Challenge to OpenAI-Microsoft Board Overlaps (1),” Rachel Metz and Leah Nysten, January 10, 2025, <https://news.bloomberglaw.com/ip-law/us-supports-musk-challenge-to-openai-microsoft-board-overlaps>.

¹² The Wall Street Journal, “Tech Giants Spend Billions on AI Startups—and Get Just as Much Back,” Berber Jin and Tom Dotan, November 3, 2023, <https://www.wsj.com/tech/ai/ai-deals-microsoft-google-amazon-7f624054>.

model developers to obtain enough computing resources to keep ahead of the pack,”¹³ and often at below market rate.¹⁴ These deals also preclude smaller companies or new entrants accessing this essential, finite resource. In some cases, AI developer partners also negotiate exclusive access to first-party data on the CSP’s systems, giving them an edge in training models.¹⁵

Perhaps most concerningly, partnerships can lock AI developers in with particular CSPs because of the high contractual and technical cost of switching CSPs. Exclusivity contracts might restrict an AI developer whose needs evolve to be better suited to another CSP or who might benefit from a multicloud solution.¹⁶ And even after a contract expires, hefty egress fees can raise the cost of switching to a new CSP.¹⁷ The technical costs of switching can include both software and hardware switching costs, as some partnerships have involved companies co-developing special-purpose AI semiconductor chips.¹⁸ For example, Anthropic used Google’s proprietary Tensor Processing Units (TPUs) to train its flagship model,¹⁹ and Microsoft is developing the Maia 100 AI chip that incorporates OpenAI’s open source programming language.²⁰

Partnerships between CSPs and AI developers, if left unchecked, may accelerate consolidation of the AI sector, ultimately driving up prices and choking off innovation. The risk of AI consolidation has received attention from bipartisan groups in Congress, federal antitrust

¹³ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 21, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

¹⁴ Data Center Dynamics, “OpenAI training and inference costs could reach \$7bn for 2024, AI startup set to lose \$5bn – report,” Sebastian Moss, July 24, 2024, <https://www.datacenterdynamics.com/en/news/openai-training-and-inference-costs-could-reach-7bn-for-2024-ai-startup-set-to-lose-5bn-report/>.

¹⁵ Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 25, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

¹⁶ CSO Online, “Developing a multicloud security strategy,” Chris Dimitriadis, November 10, 2020, <https://www.csoonline.com/article/570041/developing-a-multicloud-security-strategy.html>; Federal Trade Commission, Office of Technology Staff, “Partnerships Between Cloud Service Providers and AI Developers: FTC Staff Report on AI Partnerships & Investments 6(b) Study,” January 2025, p. 32, https://www.ftc.gov/system/files/ftc_gov/pdf/p246201_aipartnerships6breport_redacted_0.pdf.

¹⁷ Federal Trade Commission, “Cloud Computing RFI: What we heard and learned,” Nick Jones, November 16, 2023, <https://www.ftc.gov/policy/advocacy-research/tech-at-ftc/2023/11/cloud-computing-rfi-what-we-heard-learned>.

¹⁸ Anthropic, “Powering the next generation of AI development with AWS,” <https://www.anthropic.com/news/anthropic-amazon-trainium>; Google Cloud, “Google supercharges machine learning tasks with TPU custom chip,” Norm Jouppi, May 18, 2016, <https://cloud.google.com/blog/products/ai-machine-learning/google-supercharges-machine-learning-tasks-with-custom-chip>.

¹⁹ Google Cloud, “Introduction to Cloud TPU,” <https://cloud.google.com/tpu/docs/intro-to-tpu>; Anthropic, “Anthropic Partners with Google Cloud,” <https://www.anthropic.com/news/anthropic-partners-with-google-cloud>.

²⁰ Microsoft Azure, “Azure Maia for the era of AI: From silicon to software to systems,” Rani Borkar, Andrew Wall, Prasanth Pulavarthi, and Yuan Yu, April 3, 2024, <https://azure.microsoft.com/en-us/blog/azure-maia-for-the-era-of-ai-from-silicon-to-software-to-systems/>.

agencies, and enforcers in allied nations like the UK and European Union.²¹ To better understand the potential anticompetitive risks of partnerships such as yours, we ask that you provide the following information by April 21, 2025:

1. Regarding the consolidation of computing resources:
 - a. How much has OpenAI paid Microsoft for computing resources since the start of the partnership, including the real dollar value of any ‘cloud credits’ issued to OpenAI?
 - b. What percentage of Microsoft total compute capacity is currently allocated to OpenAI?
 - c. Does OpenAI have preferential access to computing capacity over other Microsoft cloud computing customers?
 - d. What is the total capital expenditure by Microsoft in the last two fiscal years on AI infrastructure? What percentage of this expenditure has Microsoft recouped directly from profits earned by OpenAI?
2. Regarding the consolidation of intellectual property:
 - a. Does Microsoft have exclusive rights to license OpenAI models? If so, how much is Microsoft paying OpenAI to license its AI models?
3. Regarding the consolidation of talent between partner organizations:
 - a. Do any individuals presently have voting or non-voting membership on the boards of both Microsoft and OpenAI?
 - b. Are there individuals who currently work for both Microsoft and OpenAI? If so, what are their roles and responsibilities in each of the companies? Who pays their salaries? Who provides their benefits?
 - c. How many OpenAI employees worked at Microsoft prior to the partnership?
 - d. How many Microsoft employees worked at OpenAI prior to the partnership?
4. Regarding access to business information:

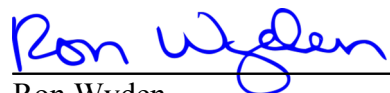
²¹ Senator Elizabeth Warren, "What's Next for Big Tech," keynote speech at RemedyFest Conference, February 27, 2024, <https://www.warren.senate.gov/imo/media/doc/Senator%20Warren%20-%20RemedyFest%20speech.pdf>; Office of Senator Elizabeth Warren, "Warren, Schmitt Introduce Bipartisan Bill to Encourage Resiliency, Competition in DoD Procurement of AI, Cloud Computing Tools," press release, December 5, 2024, <https://www.warren.senate.gov/newsroom/press-releases/warren-schmitt-introduce-bipartisan-bill-to-encourage-resiliency-competition-in-dod-procurement-of-ai-cloud-computing-tools>; Protecting AI and Cloud Competition in Defense Act of 2024, S.5436, <https://www.congress.gov/bill/118th-congress/senate-bill/5436>; Letters from Senators Warren and Bennett to Big Tech CEOs, January 17, 2025, https://www.warren.senate.gov/imo/media/doc/letters_on_big_tech_donations_to_trump_inaugural_fund.pdf; Reuters, "Microsoft, OpenAI tie-up comes under antitrust scrutiny," Muvija M, Chavi Mehta, and Aditya Soni, December 8, 2023, <https://www.reuters.com/world/uk/uk-antitrust-regulator-considering-microsoft-openai-partnership-2023-12-08/>; European Commission, "Commission launches calls for contributions on competition in virtual worlds and generative AI," press release, January 8, 2024, https://ec.europa.eu/commission/presscorner/detail/en/ip_24_85; Reuters, "Exclusive: Amazon likely to face investigation under EU tech rules next year, sources say," Foo Yun Chee, November 21, 2024, <https://www.reuters.com/technology/amazon-likely-face-investigation-under-eu-tech-rules-next-year-sources-say-2024-11-21/>.

- a. To what extent does the Microsoft executive leadership consult with or advise OpenAI?
 - b. What are the terms of revenue sharing agreements between Microsoft and OpenAI?
5. Regarding the concerns about switching costs:
 - a. Does Microsoft plan to charge OpenAI egress fees for data acquired during the partnership?
 - b. How have you planned for technical switching of hardware and software after the terms of the partnership have expired?
 - c. What are the terms of any exclusivity agreements between OpenAI and Microsoft? What are the penalties for violation of these agreements?
 - d. Does Microsoft currently sell, or have plans to sell, its purpose-built AI chips to other AI developers?
6. In the FTC report on AI partnerships, respondents indicated that “acquisition of the AI developer by its CSP partner was a possibility.” Does Microsoft currently have plans to acquire OpenAI? Have any discussions regarding acquisition occurred in the past? Would OpenAI be amenable to this acquisition?

Sincerely,



Elizabeth Warren
United States Senator



Ron Wyden
United States Senator